

Senate Engrossed House Bill

FILED

**KEN BENNETT
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 262

HOUSE BILL 2606

AN ACT

AMENDING SECTIONS 35-313 AND 35-323.01, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3010.13, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3020.13; RELATING TO STATE INVESTMENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-313, Arizona Revised Statutes, is amended to
3 read:

4 35-313. Investment of trust and treasury monies: loan of
5 securities

6 A. The state treasurer shall invest and reinvest trust and treasury
7 monies in any of the following items:

8 1. Obligations issued or guaranteed by the United States or any of its
9 agencies, sponsored agencies, corporations, sponsored corporations or
10 instrumentalities.

11 2. Collateralized repurchase agreements purchased from securities
12 dealers that make markets in those securities listed in paragraph 1 of this
13 subsection.

14 3. Bonds or other evidences of indebtedness of this state or any of
15 the counties or incorporated cities, towns or duly organized school
16 districts.

17 4. Commercial paper whose issuer is rated in one of the two highest
18 rating categories for short-term obligations by any two nationally recognized
19 statistical rating organizations.

20 5. Bills of exchange or time drafts known as bankers acceptances which
21 THAT are drawn on and accepted by a commercial bank.

22 6. Negotiable certificates of deposit issued by a nationally or state
23 chartered bank or savings and loan association.

24 7. Bonds, debentures, notes or other evidences of indebtedness which
25 THAT are issued by entities organized and doing business in the United States
26 and which THAT carry as a minimum one of the Baa ratings of Moody's investors
27 service or one of the BBB ratings of Standard and Poor's rating service or
28 their successors.

29 8. Securities of or any other interests in any open-end or closed-end
30 management type investment company or investment trust registered under the
31 investment company act of 1940 (54 Stat. 789; 15 United States Code sections
32 80a-1 through 80a-64), as amended, if both of the following apply:

33 (a) The investment company or investment trust takes delivery of the
34 collateral for any repurchase agreement either directly or through an
35 authorized custodian.

36 (b) The investment policy of the investment company or investment
37 trust includes seeking to maintain a constant share price.

38 9. Certificates of deferred property taxes as provided by section
39 42-17309.

40 10. Treasurer's warrant notes issued pursuant to section 35-185.01 or
41 registered warrants of a county issued pursuant to section 11-605, if the
42 yield is equal to or greater than yields on eligible investment instruments
43 of comparable maturities.

1 11. Shares in the treasurer's local government investment pools
2 PURSUANT TO SECTION 35-326 provided that investment policies of the pool seek
3 to maintain a constant share price.

4 12. SHARES IN THE TREASURER'S LONG-TERM LOCAL GOVERNMENT INVESTMENT
5 POOLS, WHICH TERMS ARE DETERMINED BY THE STATE BOARD OF INVESTMENT, PURSUANT
6 TO SECTION 35-326.01.

7 ~~12.~~ 13. Subject to subsection D of this section, state transportation
8 board funding obligations delivered pursuant to section 28-7678.

9 ~~13.~~ 14. Certificates of deposit purchased in accordance with the
10 procedures prescribed in section 35-323.01.

11 B. In case of default or failure to honor a county treasurer's
12 warrant, the state treasurer may withhold the first state shared revenues
13 that would otherwise be distributed to the defaulting county in the amount
14 necessary to honor the note including accrued interest to and beyond the date
15 of default.

16 C. The state treasurer may contract to loan securities owned by the
17 trust funds and operating monies deposited in the investment pools pursuant
18 to section 35-316, subsection B to the financial or dealer community through
19 one or more of the entities listed in section 35-317, subsection A, or
20 authorized by the board of investment pursuant to section 35-311, subsection
21 E, if the borrower transfers collateral to the state treasurer or acting
22 agent of the state in the form of cash or securities specified in subsection
23 A of this section. Collateral posted in the form of cash shall be in an
24 amount equal to at least one hundred per cent of the market value of the
25 loaned securities as agreed. Collateral posted in the form of securities
26 shall be in an amount of no more than one hundred ten per cent of the market
27 value of the loaned securities as established from time to time by the board
28 of investment. The loaned securities shall be valued as to market value
29 daily, and, if necessary, the borrower shall post additional collateral, as
30 agreed, to ensure that the required margin is maintained. The state
31 treasurer may collect from the borrower all dividends, interest, premiums,
32 rights and other distributions to which the lender of securities would
33 otherwise be entitled. The state treasurer may terminate the contract on not
34 less than five business days' notice, as agreed, and the borrower may
35 terminate the contract on not less than two business days' notice, as agreed.

36 D. The state treasurer shall invest operating monies in state
37 transportation board funding obligations delivered pursuant to section
38 28-7678 pursuant to the following:

39 1. The state treasurer shall liquidate investments of operating monies
40 if necessary in order to invest in state transportation board funding
41 obligations, except that if operating monies in the state general fund fall
42 below an eight hundred million dollar average over the previous twelve
43 consecutive months, the state treasurer is not required to purchase state
44 transportation board funding obligations pursuant to this subsection.

2. Each series of state transportation board funding obligations shall bear interest at a fixed interest rate equal to the mean bid-ask price of the United States treasury obligation with a maturity date closest to the maturity date of the state transportation board funding obligation as published most recently in the Wall Street Journal before the date the state treasurer receives a certificate from the state transportation board that states the board's determination to deliver an obligation to the state treasurer and the anticipated delivery date of the obligation. The delivery date shall be between fifteen and sixty days after the day the state treasurer receives the certificate.

3. The state treasurer shall provide written notice to the state transportation board and the director of the department of transportation when the operating monies fall below four hundred million dollars. If operating monies fall below two hundred million dollars, the state treasurer may call the investment in the state transportation board funding obligations in twenty-five million dollar increments up to the amount that the operating monies are below two hundred million dollars. The state treasurer shall give the state transportation board and the director of the department of transportation at least fifteen days' notice of the call.

Sec. 2. Section 35-323.01, Arizona Revised Statutes, is amended to read:

35-323.01. Investment of government monies in certificates of deposit; conditions; definition

A. If an investing entity invests in certificates of deposit pursuant to section 9-492, subsection C, section 15-1025, subsection B, paragraph 7, section 35-313, subsection A, paragraph 13 14 or section 35-323, subsection A, paragraph 2, the investing entity in each case shall invest those monies in accordance with all of the following conditions:

1. The monies are initially invested through an eligible depository in this state selected by the investing entity.

2. The selected eligible depository arranges for the deposit of the monies in certificates of deposit in one or more federally insured banks or savings and loan associations wherever located, for the account of the investing entity.

3. The full amount of principal and any accrued interest of each certificate of deposit is insured by the federal deposit insurance corporation.

4. The selected eligible depository acts as custodian for the investing entity with respect to the certificates of deposit issued for its account.

5. At the same time that the investing entity's monies are deposited and the certificates of deposit are issued, the selected eligible depository receives an amount of deposits from customers of other federally insured financial institutions equal to or greater than the amount of the monies

1 initially invested by the investing entity through the selected eligible
2 depository.

3 B. Monies invested in accordance with all of the conditions prescribed
4 in this section are not subject to any security or collateral requirements.

5 C. For the purposes of this section, "investing entity" means the THIS
6 state, a political subdivision, the governing body of a municipality or the
7 governing body of a school district.

8 Sec. 3. Repeal

9 Section 41-3010.13, Arizona Revised Statutes, is repealed.

10 Sec. 4. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
11 amended by adding section 41-3020.13, to read:

12 41-3020.13. State board of investment; termination July 1, 2020

13 A. THE STATE BOARD OF INVESTMENT TERMINATES ON JULY 1, 2020.

14 B. SECTION 35-311 IS REPEALED ON JANUARY 1, 2021.

15 Sec. 5. Purpose

16 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
17 the legislature continues the state board of investment to review investment
18 of state treasury monies and serve as trustees and managers of the permanent
19 state land funds.

20 Sec. 6. Retroactivity

21 Sections 3 and 4 of this act are effective retroactively to July 1,
22 2010.

APPROVED BY THE GOVERNOR MAY 7, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 7, 2010.